LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7886
BILL NUMBER: SB 462

NOTE PREPARED: Apr 14, 2003
BILL AMENDED: Apr 10, 2002

SUBJECT: ICHIA Revisions.

FIRST AUTHOR: Sen. Miller
FIRST SPONSOR: Rep. Fry

BILL STATUS: As Passed - House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
X **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill specifies certain requirements for health care provider notices to patients concerning third-party billing. The bill amends the Indiana Comprehensive Health Insurance Association (ICHIA) law concerning premium rates, eligibility, health care provider reimbursement, pharmacy and chronic disease management programs, chronic disease coverage, prescription drug coverage, out-of-pocket expenses, and termination of coverage. The bill also requires the Office of Medicaid Policy and Planning to apply for a demonstration waiver for individuals diagnosed with hemophilia who meet ICHIA eligibility requirements. It also makes conforming and technical amendments.

Effective Date: (Amended) July 1, 2003, January 1, 2004.

Explanation of State Expenditures: (Revised) This bill makes several changes to the Indiana Comprehensive Health Insurance Association law. These changes are expected to reduce total expenditures or increase revenues for ICHIA. The net losses of ICHIA (the excess of expenses over premium and other revenue) are made up by assessments on member insurance carriers. Members may, in turn, (1) take a credit against Premium Taxes, Adjusted Gross Income Taxes, or any combination of these or similar taxes; or (2) include in the rates for premiums charged for their insurance policies amounts sufficient to recoup the assessments. To the extent that this bill reduces expenditures, it may increase revenue to the state. If insurers are assessed an amount less than their tax burden after any carry forward credits are taken, the state may receive increased tax revenue. The bill also may have an impact on the Department of Health and FSSA (see explanation below.)

This bill also includes a provision involving health provider reimbursement. This bill requires that certain health facilities and providers include specific language in third-party billing notices sent to patients. The

notice must state that it is not a bill, must not include a tear-off portion, nor include a return mailing envelope. The providers and facilities included are the following: hospitals, ambulatory outpatient surgical centers, hospices, home health agencies, health facilities, and practitioners. This provision will not have a fiscal impact to the state nor local government.

ICHIA Changes: The changes to the ICHIA program include the following: (1) sets definition of resident, (2) eliminates list of health conditions that automatically qualify an individual, (3) sliding scale premiums; (4) reimbursement rate change; (5) elimination of $25 referral fees for insurance agents, (6) review and implement disease management programs, (7) development of a pharmaceutical management program, (8) prescription drug requirements - internet/mail order pharmacy, (9) adjustment of deductible for inflation, (10) revision of deductibles and coinsurance, and (11) eligibility requirements. It is estimated that the changes for which an estimate may be made may result in decreased expenditures of approximately $20 M. Reduction in expenditures may be higher or lower than this amount, dependent upon administrative action, enrollment trends, and actual claims experience.

(1) Sets Definition of Resident: This provision may reduce the number of individuals that are enrolled in the ICHIA plan. Total impact on plan expenditures is unknown. There are approximately 9,800 individuals with ICHIA plans currently. Under current practice, in order for an individual to establish residency, they must reside in the state for at least three months. This bill requires that an individual reside in Indiana for at least twelve months before applying for an Association policy. There is no language in statute currently that automatically discontinues an individual's coverage if they change residency to another state. The contractor for ICHIA conducts investigations of individuals suspected to have changed residency and notifies them that their coverage will expire the following month if they have indeed relocated out of state. This provision may reduce the lag time between when an individual moves out of state and when the policy is canceled. **Cost/Savings:** Cost savings associated with this provision are not known at this time.

(2) Elimination of Qualifying Medical Conditions: Under the current statute an individual does not have to demonstrate an inability to obtain coverage. If an individual has one of several listed conditions, they automatically qualify for ICHIA coverage. The provision in the bill which requires an individual to demonstrate their inability to obtain outside coverage may deter some individuals from obtaining an ICHIA policy. The extent of savings is dependent upon the number of individuals affected. However, given the fact that insurers cannot write waivers of coverage into health insurance policies, it is likely that an individual with one of the current qualifying conditions cannot obtain coverage through a source other than ICHIA, and thus be eligible after a denial of coverage. **Cost/Savings:** The net reduction in policies issued by ICHIA and the associated cost reductions are negligible.

(3) Sliding Scale Premiums: This provision allows ICHIA to establish different rates for individuals based upon income requirements. The provision: (1) sets premium at no more than 150% of the average premium rate for that class charged by the five carriers with the largest premium volume in the state during the preceding calender year for individuals with income of less than 301% Federal Poverty Level (FPL) for the same size family; and (2) sets premium at not less than 151% of the average premium rate for that class charged by the five carriers with the largest premium volume in the state during the preceding calender year for individuals with income of more than 350% FPL for the same size family. It is unclear as to what premium shall be required for individuals with income between 302% FPL and 349% FPL. The current blended rate for an ICHIA policy as of September 2002 is $391 per member per month.

Previous analysis indicates that if the premium were increased to not more than 200% of average premium of the largest five insurers that: the premium would increase to approximately $510 per member per month.

This would probably also reduce the number of individuals with ICHIA policies from 9,800 to approximately 8,220. The total premium collected for the first full year is estimated to be approximately $50 M. The total premium collected for CY 2001 was $31.7 M. The estimated premium collected for CY 2002 is $43.6 M. Based upon this information ICHIA would collect an additional $6.4 M in premium and have 1,580 fewer policies issued. **Cost/Savings:** It is anticipated that the sliding premium scale would have a similar effect. The increase in revenue and decrease in participants is contingent upon administrative action, as ICHIA staff would be required to set the actual premiums for these groups.

(4) Reimbursement Rate: This provision changes the reimbursement rates for services provided to ICHIA members to a rate that is no more than current Medicare rates. This provision should reduce the total claims costs associated with services provided to members. It is important to note that some services may already be reimbursed at a lower level than this new rate (e.g., hemophilia clotting factor). **Cost/Savings:** Total cost savings associated with this provision is contingent upon administrative action in setting rates. ICHIA staff estimate that if Medicare rates are adopted, the savings may be approximately $12 M. Actual savings may be higher or lower than this amount dependent upon utilization and established rates.

(5) Elimination of Referral Fees: This bill eliminates the provision that an insurance agent that refers an individual to ICHIA for coverage is to receive a $25 referral fee. Referral fees paid for 2001 totaled $28,090, and referral fees for 2002 totaled $34,675 (through October 31, 2002). **Cost/Savings:** Elimination of this requirement will result in cost savings of an estimated average $30,000 annually.

(6) Disease Management: This provision requires that ICHIA develop chronic disease management programs. The ICHIA Board shall implement mandatory disease management programs after review of chronic disease management programs for similar populations. This bill requires that an individual participate in a chronic disease management program if one is approved by ICHIA for a condition the individual receives treatment for. The bill requires that the Board consider recommendations of the Office of Medicaid Policy and Planning Drug Utilization Review Board regarding the development and adoption of a pharmaceutical management program. ICHIA recently signed a contract with an outside company to establish a voluntary disease management program. The voluntary program is estimated to be operational by March 1 and to result in a 5% cost savings. **Cost/Savings:** ICHIA staff estimate that if the disease management program were made mandatory it could result in a 10% cost savings for diseases covered under the program.

(7) Development of a Pharmaceutical Management Program: The Office of Medicaid Policy and Planning Drug Utilization Review Board shall advise ICHIA regarding the development and adoption of a pharmaceutical management program. The ICHIA Board shall implement a pharmaceutical management program after review of other programs for similar populations. The program may not require prior authorization for certain drugs for treatment of HIV/AIDS and Hemophilia. The cost of developing and adopting a new pharmaceutical management program is unknown at this time. It is estimated that the pharmaceutical management program, when fully implemented, will result in a 17%-18% long-term savings on prescription expenditures. **Cost/Savings:** Total prescription expenditures for the period April 2001 to March 2002 were $9.6 M. Based on this data, the estimated savings would be between **$1.6 M and $1.7 M** annually - however, the savings associated with pharmaceutical management program adoption will not be realized immediately.

(8) Prescription Drug Requirements: The bill also contains a prescription drug provision for individuals enrolled in ICHIA. These individuals are required to obtain prescription drugs from an Internet or mail order pharmacy or a pharmacy that agrees to sell a prescription at the same price as the Internet or mail order pharmacy. Individuals are allowed to purchase prescriptions at other pharmacies as well, however, ICHIA

shall only reimburse the amount equal to that paid to an approved pharmacy. **Cost/Savings:** Cost savings associated with this provision are not known at the present time and contingent upon the negotiated pharmacy rates.

(9) Adjust Deductible for Inflation: This provision allows the deductible and total out-of-pocket expenditure to be adjusted annually based upon the percentage increase in the medical care component of the Consumer Price Index each year. **Cost/Savings:** This provision will keep the amount of the deductible constant with regards to inflation and limit growth in future program expenditures.

(10) Revision of Deductibles: This provision requires that deductibles and coinsurance exclude prescription drug costs. The current maximum member out-of-pocket payment for expenses including prescription drugs is $1,500 per individual and $2,500 for family coverage. This provision would exclude payments for prescription drugs from the maximum out-of-pocket amount. Thus, an individual with prescription costs above this limit would remain responsible for paying the copayment for prescription medication after reaching the out-of-pocket limit. **Cost/Savings:** It is unknown what impact this will have on total program costs. It is anticipated that this will reduce program expenditures.

(11) Eligibility Requirement Changes: This bill eliminates the provision that an individual can obtain an ICHIA policy if current group insurance coverage is in jeopardy of being terminated. In addition, it eliminates the provision that an individual can obtain an ICHIA policy without any limitations on pre-existing conditions if current group insurance coverage is in jeopardy of being terminated. These provisions may reduce the number of individuals that obtain an ICHIA policy. In addition, this bill requires that an individual is not eligible for an Association policy if the person is eligible for Medicaid. An individual must apply for Medicaid coverage not more than 60 days before applying for an ICHIA policy. **Cost/Savings:** The total reduction in expenditures associated with these provisions is not known at this time and is contingent upon the reduction of potential enrollees and the associated claims experience for that individual.

Office of Medicaid Policy and Planning -

Drug Utilization Review Board - The Office of Medicaid Policy and Planning (OMPP) Drug Utilization Review Board (DUR Board) shall advise the ICHIA Board concerning implementation of chronic disease management and pharmaceutical management programs. The DUR Board is a voluntary body tasked primarily with reviewing pharmaceutical issues for OMPP. **Cost/Savings:** The FSSA could not estimate a fiscal impact regarding potential cost to the DUR Board due to an lack of clarity regarding the type of commitment required. However, the agency stated that if the topics proved to be high-profile the time and resource devotion could be significant.

Medicaid Waiver for Hemophilia - This provision requires the Office of Medicaid Policy and Planning to apply for a Medicaid demonstration waiver for individuals that meet certain requirements. The individual must: (1) be diagnosed with hemophilia, and (2) meet the eligibility requirements for a policy under ICHIA. The OMPP shall submit an application for a waiver to the U.S. Department of Health and Human Services prior to July 1, 2004. State expenditures (tax credits taken by insurers for ICHIA assessments) for individuals with hemophilia that have an ICHIA policy, may decrease by 62% if the Medicaid plan amendment is approved. This percentage represents the Federal reimbursement rate for Medicaid recipient services. The extent of this reduced expenditure is unknown. Several factors contribute to the difficulty in calculating cost: (1) ICHIA has lower cost for providing clotting factor; (2) Medicaid services are more inclusive than ICHIA benefits; and (3) a demonstration waiver must be cost neutral to the federal government. **Cost/Savings:** Unknown.

State Department of Health - The Department of Health currently pays for approximately 1,300 individuals with HIV/AIDS to be enrolled in the ICHIA program. The state receives approximately $7.8 M from the federal AIDS Drug Assistance Program (ADAP) and Title II of the federal Ryan White Care Act. [Note: The individuals in the ADAP program could also be enrolled in the Medworks program or Medicaid, depending upon income and disability status.] If the ICHIA program is terminated, the Department will not be able to buy in for ADAP enrollees. However, these individuals would be eligible for coverage under regular health insurance plans due to the guaranteed issue requirement. It is unclear as to whether the Department would continue to purchase insurance for these individuals in the open market.

Background: All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana are members of the Indiana Comprehensive Health Insurance Association. ICHIA is funded through premiums paid by individuals obtaining insurance through ICHIA, by assessments to member companies (excluding self-insurers preempted by ERISA), and the state General Fund. To be eligible, Indiana residents must show evidence of: (1) denied insurance coverage or an exclusionary rider; (2) one or more of the "presumptive" conditions such as AIDS, cystic fibrosis, or diabetes; (3) insurance coverage under a group, government, or church plan making the applicant eligible under the federal Health Insurance Portability and Accountability Act (HIPAA); or (4) exhausted continuation coverage (e.g., COBRA). Premium rates must be less than or equal to 150% of the average premium charged by the five largest individual market carriers. The current blended rate for an ICHIA policy as of September 2002 was $391 per member per month.

The net losses of ICHIA (the excess of expenses over premium and other revenue) are made up by assessments on member insurance carriers. Members may, in turn, (1) take a credit against Premium Taxes, Adjusted Gross Income Taxes, or any combination of these or similar taxes; or (2) include in the rates for premiums charged for their insurance policies amounts sufficient to recoup the assessments. Total expenses for the ICHIA program for CY 2001 were $93.1 M with premium contributions of $31.7 M and assessment receipts of $61.4M. Enrollment in the ICHIA program as of August 2002 was 9,779. Based upon data presented to the State Budget Committee, the assessments for 2003 are projected to exceed the $100 M threshold by approximately $5.6 M. The Executive Director of ICHIA stated that new cost control mechanisms put in place in recent months may control total program costs.

Beginning October 31, 2002, insurers are required to report the amount of assessments paid and tax credits taken each year. Data from CY 2001 is currently incomplete. However, preliminary data indicate that ICHIA assessments in 2001exceeded tax credits taken by approximately $10.3 M.

ICHIA Assessments

Year	Assessment	Percent Change
1997	$18,791,177	10.48%
1998	$25,907,143	37.87%
1999	$24,130,087	-6.86%
2000	$34,816,164	44.29%
2001	$61,406,500	76.37%
2002*	$79,127,224	28.86%
2003*	$105,574,277	33.42%

* Estimates based upon data presented to State Budget Committee by Connie Brown, MPlan, 11/12/02.

Explanation of State Revenues: See *Explanation of State Expenditures*.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Comprehensive Health Insurance Association; Family and Social Services Administration, OMPP; Department of Health

Local Agencies Affected:

Information Sources: Doug Stratton, Executive Director, ICHIA, 317-877-5376; Testimony of Connie Brown CFO of MPlan to the Budget Committee on November 12, 2002; Amy Kruzan, Legislative Director, FSSA, 317-232-1149; Zach Cattell, Legislative Director, State Department of Health, 317-233-2170.

Fiscal Analyst: Michael Molnar, 317-232-9559